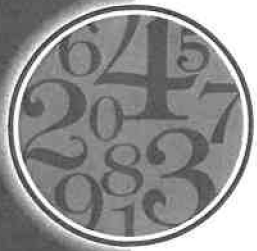


IPSWICH SCHOOL DISTRICT NO. 22-6
IPSWICH, SOUTH DAKOTA
AUDIT REPORT
FOR THE YEAR THEN ENDED
JUNE 30, 2020

IPSWICH SCHOOL DISTRICT NO. 22-6
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CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANT

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

School Board
Ipswich School District No 22-6
Ipswich, South Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Ipswich School District No. 22-6, South Dakota (School District) as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements and have issued our report thereon dated October 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Current Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Current Audit Findings, items 2020-001, 2020-002, and 2020-003 to be material weaknesses.

Jason W. Bauer, CPA, CGMA, PFS • bauer@cahillbauer.com

School Board
Ipswich School District No. 22-6
Page 2
Report on Internal Control and Compliance

Compliance and Other Matters

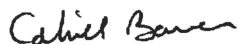
As part of obtaining reasonable assurance about whether the Ipswich School District No. 22-6's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

School District's Response to Findings

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Current Audit Findings. The School District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. As required by South Dakota Codified Law 4-11-11, this report is a matter of public record and its distribution is not limited.



Mobridge, South Dakota
October 22, 2020

**IPSWICH SCHOOL DISTRICT NO. 22-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2020**

STATUS OF PRIOR AUDIT FINDINGS

Finding Number 2019-001:

Internal control over financial reporting and compliance is not adequate.

Current Status

Condition still exists, see current audit finding number 2020-001.

Finding Number 2019-002:

The School District's internal control structure does not provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Current Status

Condition still exists, see current audit finding number 2020-002.

Finding Number 2019-003:

Internal control does not provide for identifying material adjustments.

Current Status

Condition still exists, see current audit finding number 2020-003.

CURRENT AUDIT FINDINGS AND RECOMMENDATIONS

Finding Number 2020-001:

Criteria

The internal control system of a School District can help assist in achieving its performance targets and prevent the loss of resources. It helps to ensure reliable financial reporting and the compliance with laws and regulations.

Condition Found

The School District has a limited number of office personnel and, accordingly, does not have adequate internal controls in revenue, expenditures, and payroll functions because of a lack of segregation of duties.

IPSWICH SCHOOL DISTRICT NO. 22-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2020

Identification of Repeat Finding

This has been a repeat finding since June 30, 2008.

Cause and Effect

This condition increases the risk that fraud or errors might occur in the financial reporting process.

Recommendation

We recommend a high level of awareness be maintained by management to assist in preventing, detecting, or correcting matters that may arise due to this internal control weakness. Compensating controls should be implemented as necessary.

Views of Responsible Officials

Due to staff size, it is not deemed feasible to adequately segregate duties. However, we are aware of this internal control weakness and intend to provide continuous monitoring in an effort to prevent, detect, or correct any matters that may result.

Finding Number 2020-002:

Criteria

An organization's internal control structure should provide for the preparation of financial statements in accordance with generally accepted accounting principles.

Condition Found

The School District does not have an internal control system designed to provide for the preparation of the annual financial statements being audited, including required footnotes and disclosures, in accordance with generally accepted accounting principles. As auditors, we were requested to draft the financial statements.

Identification of Repeat Finding

This has been a repeat finding since June 30, 2008.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

IPSWICH SCHOOL DISTRICT NO. 22-6
SCHEDULE OF PRIOR AND CURRENT AUDIT FINDINGS
JUNE 30, 2020

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Views of Responsible Officials

The School District is continuing its work on correcting this deficiency.

Finding Number 2020-003:

Criteria

While conducting our audit, we proposed material audit adjustments that would not have been identified as a result of the School District's existing internal controls, and therefore could have resulted in a material misstatement of the School District's financial statements.

Condition Found

An organization's internal control structure should provide for the recording of all necessary material adjustments in order to ensure that accounting records are in accordance with generally accepted accounting principles.

Identification of Repeat Finding

This has been a repeat finding since June 30, 2019.

Cause and Effect

This condition may affect the School District's ability to record, process, summarize, and report financial statement data consistent with the assertions of management in the financial statements.

Recommendation

It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations.

Views of Responsible Officials

The School District is continuing its work on correcting this deficiency.



CAHILL BAUER & ASSOCIATES, LLC

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANT

INDEPENDENT AUDITORS' REPORT

School Board
Ipswich School District No 22-6
Ipswich, South Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ipswich School District No. 22-6, as of June 30, 2020 and for the year then ended, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The School District's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Ipswich School District No. 22. 6 as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Budgetary Comparison Schedules, Schedule of School District Contributions, and Schedule of the School District's Proportionate Share of the Net Pension Liability (Asset) on pages 44 through 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The School District has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2020 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Cathull Bower

Mobridge, South Dakota
October 22, 2020

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Primary Government | | |
|---|----------------------------|-----------------------------|-------------------|
| | Governmental Activities | Business-Type Activities | Total |
| ASSETS | | | |
| Cash and cash equivalents | \$ 2,023,022 | \$ 15,120 | \$ 2,038,142 |
| Advance payments | 5,000 | - | 5,000 |
| Investments | 2,200,000 | - | 2,200,000 |
| Restricted cash | 8,000 | - | 8,000 |
| Taxes receivable | 1,989,428 | - | 1,989,428 |
| Inventories | - | 14,201 | 14,201 |
| Other assets | 599,205 | 11,391 | 610,596 |
| Net pension asset | 12,084 | 313 | 12,397 |
| Capital assets: | | | |
| Land, improvements | 187,795 | - | 187,795 |
| Other capital assets, net depreciation | 12,205,413 | 99,996 | 12,305,409 |
| TOTAL ASSETS | 19,229,947 | 141,021 | 19,370,968 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Pension related deferred outflows | 612,048 | 15,559 | 627,607 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | \$ 612,048 | \$ 15,559 | \$ 627,607 |

The accompanying notes to the basic financial statements are an integral part of this statement.

| | Governmental Activities | Primary Government Business-Type Activities | Total |
|--|----------------------------|---|----------------------|
| LIABILITIES | | | |
| Accounts payable | \$ 9,149 | \$ - | \$ 9,149 |
| Other current liabilities | 402,312 | 17,950 | 420,262 |
| Noncurrent liabilities: | | | |
| Due within one year | 508,669 | - | 508,669 |
| Due in more than one year | 6,359,165 | - | 6,359,165 |
| TOTAL LIABILITIES | 7,279,295 | 17,950 | 7,297,245 |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Taxes levied for future period | 1,944,366 | - | 1,944,366 |
| Pension related deferred inflows | 268,893 | 6,871 | 275,764 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 2,213,259 | 6,871 | 2,220,130 |
| NET POSITION | | | |
| Net Investment in | | | |
| Capital Assets | 5,893,208 | 99,996 | 5,993,204 |
| Restricted for: | | | |
| Capital Outlay | 2,784,686 | - | 2,784,686 |
| Special Education | 372,563 | - | 372,563 |
| SDRS Pension Purposes | 355,239 | 9,001 | 364,240 |
| Unrestricted | 943,745 | 22,762 | 966,507 |
| TOTAL NET POSITION | \$ 10,349,441 | \$ 131,759 | \$ 10,481,200 |

**IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| Functions/Programs | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Position | | | |
|--------------------------------------|------------------|-------------------------|--|---|-----------------------------|----|-------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Primary Government | | | Total |
| | | | | Governmental Activities | Business-Type Activities | | |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| Instruction | \$ 3,128,173 | \$ - | 232,804 | \$ (2,895,369) | \$ - | \$ | (2,895,369) |
| Support services | 1,629,604 | - | | (1,629,604) | - | | (1,629,604) |
| Nonprogrammed charges | 43,825 | 15,595 | 16,100 | (12,130) | - | | (12,130) |
| Cocurricular activities | 240,233 | 23,416 | - | (216,817) | - | | (216,817) |
| * Interest on long term debt | 165,820 | - | - | (165,820) | - | | (165,820) |
| Total governmental activities | 5,207,655 | 39,011 | 248,904 | (4,919,740) | - | | (4,919,740) |
| Business-type activities | | | | | | | |
| Food services | 181,792 | 72,907 | 93,494 | - | (15,391) | | (15,391) |
| Drivers education services | 2,046 | 2,200 | - | - | 154 | | 154 |
| Total business-type activities | 183,838 | 75,107 | 93,494 | - | (15,237) | | (15,237) |
| Total primary government | \$ 5,391,493 | \$ 114,118 | \$ 342,398 | \$ (4,919,740) | \$ (15,237) | \$ | (4,934,977) |
| General Revenues | | | | | | | |
| Taxes | | | | | | | |
| Property taxes | | | | 4,368,890 | - | | 4,368,890 |
| Utility taxes | | | | 443,900 | - | | 443,900 |
| Revenue from state sources: | | | | | | | |
| State Aid | | | | 838,911 | - | | 838,911 |
| Unrestricted investments earnings | | | | 30,055 | 10 | | 30,065 |
| Other general revenues | | | | 50,647 | - | | 50,647 |
| Transfers | | | | (22,309) | 22,309 | | - |
| Total general revenues and transfers | | | | 5,710,094 | 22,319 | | 5,732,413 |
| Change in net position | | | | 790,354 | 7,082 | | 797,436 |
| Net position - beginning | | | | 9,559,087 | 124,677 | | 9,683,764 |
| Net position - ending | | | | \$ 10,349,441 | \$ 131,759 | \$ | 10,481,200 |

* The District does not have interest expense related to the functions presented above. This amount includes indirect interest expense on general long-term debt.

IPSWICH SCHOOL DISTRICT NO. 22-6
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund |
|---|---------------------|
| ASSETS | |
| Cash and cash equivalents | \$ 637,436 |
| Investments | 450,000 |
| Restricted investments | 8,000 |
| Advance payments | 5,000 |
| Taxes-receivables | 835,201 |
| Taxes-delinquent | 12,466 |
| Due from state government | 443,900 |
| Due from federal government | 91,280 |
| TOTAL ASSETS | \$ 2,483,283 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | |
| Liabilities: | |
| Accounts payable | \$ 2,968 |
| Contracts payable | 246,070 |
| Payroll deductions and withholdings payable and employer matching payable | 31,930 |
| Total Liabilities | 280,968 |
| Deferred Inflows of Resources: | |
| Unavailable revenue - property taxes | 12,432 |
| Taxes levied for future period | 824,125 |
| Total Deferred Inflows of Resources | 836,557 |
| Fund Balances: | |
| Restricted | |
| Capital outlay | - |
| Special education | - |
| Assigned | |
| Unemployment | 8,000 |
| Unassigned | 1,357,758 |
| Total Fund Balance | 1,365,758 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE | \$ 2,483,283 |

The accompanying notes to the basic financial statements are an integral part of this statement.

| Capital Outlay Fund | | Special Education Fund | | Total Governmental Funds | |
|------------------------|-----------|---------------------------|---------|--------------------------------|-----------|
| \$ | 1,270,895 | \$ | 114,691 | \$ | 2,023,022 |
| | 1,500,000 | | 250,000 | | 2,200,000 |
| | - | | - | | 8,000 |
| | - | | - | | 5,000 |
| | 906,990 | | 225,449 | | 1,967,640 |
| | 7,208 | | 2,114 | | 21,788 |
| | - | | 74 | | 443,974 |
| | - | | 49,520 | | 140,800 |
| <hr/> | | <hr/> | | <hr/> | |
| \$ | 3,685,093 | \$ | 641,848 | \$ | 6,810,224 |
| <hr/> | | <hr/> | | <hr/> | |
| \$ | 3,186 | \$ | 2,995 | \$ | 9,149 |
| | - | | 38,168 | | 284,238 |
| | - | | 5,102 | | 37,032 |
| <hr/> | | <hr/> | | <hr/> | |
| | 3,186 | | 46,265 | | 330,419 |
| <hr/> | | <hr/> | | <hr/> | |
| | 7,197 | | 2,110 | | 21,739 |
| | 897,221 | | 223,020 | | 1,944,366 |
| <hr/> | | <hr/> | | <hr/> | |
| | 904,418 | | 225,130 | | 1,966,105 |
| <hr/> | | <hr/> | | <hr/> | |
| | 2,777,489 | | - | | 2,777,489 |
| | - | | 370,453 | | 370,453 |
| | - | | - | | 8,000 |
| | - | | - | | 1,357,758 |
| <hr/> | | <hr/> | | <hr/> | |
| | 2,777,489 | | 370,453 | | 4,513,700 |
| <hr/> | | <hr/> | | <hr/> | |
| \$ | 3,685,093 | \$ | 641,848 | \$ | 6,810,224 |
| <hr/> | | <hr/> | | <hr/> | |

IPSWICH SCHOOL DISTRICT NO. 22-6
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

| | | |
|--|----|-------------------|
| Total fund balances - governmental funds | \$ | 4,513,700 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Net pension asset reported in governmental activities is not an available financial resource and therefore is not reported in the funds. | | 12,084 |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. The capitalized cost of the capital assets is \$15,562,207 and the accumulated depreciation is (\$3,168,999) for a net amount of \$12,393,208. | | 12,393,208 |
| Pension related deferred outflows are components of pension liability (asset) and therefore are not reported in the funds. | | 612,048 |
| Long term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities consist of compensated absences of \$25,836, early retirement benefits payable of \$95,805, bonds payable of \$6,500,000, unamortized bond premium of \$13,815, accrued interest of \$67,227, State of South energy loan of \$199,893, and ASBSD health insurance assessment of \$46,300. | | (6,948,876) |
| Assets such as taxes receivable (delinquent) are not available to pay for current period expenditures and therefore are deferred in the funds. | | 21,739 |
| Unamortized bond discounts are recorded as assets in the statement of net position but is recorded as an expenditure in the funds. | | 14,431 |
| Pension related deferred inflows are components of pension liability (asset) and therefore are not reported in the funds. | | (268,893) |
| Total net position - governmental funds | \$ | <u>10,349,441</u> |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund |
|---|-----------------|
| REVENUES: | |
| Revenue from local sources: | |
| Taxes: | |
| Ad valorem taxes | \$ 1,872,185 |
| Prior years' ad valorem taxes | 11,383 |
| Utility taxes | 443,900 |
| Penalties and interest on taxes | 4,846 |
| Earnings on investments and deposits | 30,055 |
| Cocurricular activities: | |
| Admissions | 22,801 |
| Other pupil activity income | 615 |
| Other revenue from local sources: | |
| Rentals | 4,125 |
| Charges for services | 2,753 |
| Other | 7,981 |
| Total revenue from local sources | 2,400,644 |
| Revenue from intermediate sources | |
| County sources: | |
| County appointment | 36,203 |
| Revenue in lieu of taxes | 518 |
| Total revenue from intermediate sources | 36,721 |
| Revenue from state sources: | |
| Grants-in-aid: | |
| Unrestricted grants-in-aid | 838,911 |
| Total revenue from state sources | 838,911 |
| Revenue from federal sources: | |
| Grants-in-aid: | |
| Restricted grants-in-aid directly from the federal govt | 19,303 |
| Restricted grants-in-aid thru state | 129,426 |
| Total revenue from federal sources | 148,729 |
| Total revenues | \$ 3,425,005 |

(Continued on next page)

| Capital Outlay Fund | | Special Education Fund | | Total Governmental Funds | |
|------------------------|-----------|---------------------------|---------|--------------------------------|-----------|
| \$ | 1,929,729 | \$ | 516,397 | \$ | 4,318,311 |
| | 13,479 | | 3,914 | | 28,776 |
| | - | | - | | 443,900 |
| | 5,765 | | 1,661 | | 12,272 |
| | - | | - | | 30,055 |
| | - | | - | | 22,801 |
| | - | | - | | 615 |
| | - | | - | | 4,125 |
| | - | | 7,896 | | 10,649 |
| | 5,000 | | 585 | | 13,566 |
| | 1,953,973 | | 530,453 | | 4,885,070 |
| | - | | - | | 36,203 |
| | 946 | | 235 | | 1,699 |
| | 946 | | 235 | | 37,902 |
| | - | | - | | 838,911 |
| | - | | - | | 838,911 |
| | - | | - | | 19,303 |
| | - | | 100,175 | | 229,601 |
| | - | | 100,175 | | 248,904 |
| \$ | 1,954,919 | \$ | 630,863 | \$ | 6,010,787 |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund |
|---------------------------------------|-----------------|
| Expenditures: | |
| Instruction: | |
| Regular programs: | |
| Elementary | \$ 1,271,941 |
| Middle/junior high | 313,060 |
| High school | 428,998 |
| Preschool | 56,656 |
| Special programs: | |
| Programs for special education | - |
| Educationally deprived | 60,558 |
| Total instruction | 2,131,213 |
| Support services: | |
| Pupils: | |
| Guidance | 69,711 |
| Health | 2,415 |
| Psychological | - |
| Speech pathology | - |
| Student therapy services | - |
| Instructional staff: | |
| Educational media | 57,483 |
| General administration: | |
| Board of education | 27,166 |
| Executive administration | 91,102 |
| School administration: | |
| Office of the principal | 281,308 |
| Other support services | 215 |
| Business: | |
| Fiscal services | 41,152 |
| Facilities acquisition & construction | - |
| Operation and maintenance of plant | 424,352 |
| Pupil transportation | 183,649 |
| Food services | - |
| Special education: | |
| Administrative costs | - |
| Transportation costs | - |
| Total support services | \$ 1,178,553 |

(Continued on next page)

| Capital Outlay Fund | | Special Education Fund | | Total Governmental Funds | |
|------------------------|---------|---------------------------|---------|--------------------------------|-----------|
| \$ | 78,084 | \$ | - | \$ | 1,350,025 |
| | 19,411 | | - | | 332,471 |
| | 22,508 | | - | | 451,506 |
| | - | | - | | 56,656 |
| | - | | 483,465 | | 483,465 |
| | - | | - | | 60,558 |
| | 120,003 | | 483,465 | | 2,734,681 |
| | - | | - | | 69,711 |
| | - | | - | | 2,415 |
| | - | | 27,527 | | 27,527 |
| | - | | 91,440 | | 91,440 |
| | - | | 35,976 | | 35,976 |
| | 4,360 | | - | | 61,843 |
| | 6,580 | | - | | 33,746 |
| | - | | - | | 91,102 |
| | - | | - | | 281,308 |
| | - | | - | | 215 |
| | 5,350 | | - | | 46,502 |
| | 2,434 | | - | | 2,434 |
| | 8,018 | | - | | 432,370 |
| | 27,360 | | - | | 211,009 |
| | 22,309 | | - | | 22,309 |
| | - | | 56,984 | | 56,984 |
| | - | | 81 | | 81 |
| \$ | 76,411 | \$ | 212,008 | \$ | 1,466,972 |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | General Fund |
|--------------------------------------|-----------------|
| Nonprogrammed charges | |
| Early retirement payments | \$ 18,600 |
| Total nonprogrammed charges | 18,600 |
| Debt Services | - |
| Cocurricular activities: | |
| Male activities | 41,847 |
| Female activities | 34,271 |
| Transportation | 32,596 |
| Combined activities | 72,626 |
| Total cocurricular activities | 181,340 |
| Capital outlay | - |
| Total expenditures/expenses | 3,509,706 |
| Other financing sources (uses) | |
| Transfers in | 400,000 |
| Transfers out | - |
| General long-term debt issued | - |
| Total other financing sources (uses) | 400,000 |
| Net change in fund balances | 315,299 |
| Fund balance - beginning | 1,050,459 |
| Fund balance - ending | \$ 1,365,758 |

The accompanying notes to the basic financial statements are an integral part of this statement.

| Capital Outlay Fund | Special Education Fund | Total Governmental Funds |
|------------------------|---------------------------|--------------------------------|
| \$ - | \$ - | \$ 18,600 |
| - | - | 18,600 |
| 577,880 | - | 577,880 |
| - | - | 41,847 |
| - | - | 34,271 |
| - | - | 32,596 |
| 249 | - | 72,875 |
| 249 | - | 181,589 |
| 237,723 | - | 237,723 |
| 1,012,266 | 695,473 | 5,217,445 |
| - | - | 400,000 |
| (400,000) | - | (400,000) |
| 199,893 | - | 199,893 |
| (200,107) | - | 199,893 |
| 742,546 | (64,610) | 993,235 |
| 2,034,943 | 435,063 | 3,520,465 |
| \$ 2,777,489 | \$ 370,453 | \$ 4,513,700 |

**IPSWICH SCHOOL DISTRICT NO. 22-6
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT
OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

| | |
|--|------------|
| Net change in fund balances - total governmental funds | \$ 993,235 |
|--|------------|

Amounts reported for governmental activities in the statement of activities are different because:

| | |
|--|-----------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay. | (122,203) |
|--|-----------|

| | |
|--|-------|
| In both the government-wide and fund financial statements, revenues from property tax levies are applied to finance the budget of a particular period. Accounting for revenues from property tax accruals in the funds' statements differs from the accounting in the government wide statements in that the fund financial statements require the amounts to be "available". This amount reflects the application of both the application period and "availability criteria". | 9,531 |
|--|-------|

| | |
|--|----------|
| Governmental funds recognize expenditures for amounts of compensated absences and early retirement benefits actually paid to employees with current financial resources during the fiscal year. Amounts of compensated absences earned by employees are not recognized in the funds. In the statement of activities, expenses for these benefits are recognized when the employees earn leave credits. | (17,474) |
|--|----------|

| | |
|--|-----------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These expenses consist of the change in accrued interest of \$2,265, amortization of bond premiums of \$942, pension expense of (\$330,512), amortization of bond discount (\$1,147), and ASBSD health insurance assessment of \$45,610. | (282,842) |
|--|-----------|

| | |
|--|---------|
| Payment of principal on long-term debt is an expenditure in the governmental funds but the payment reduces long-term liabilities in the statement of net position. | 410,000 |
|--|---------|

| | |
|--|-----------|
| The issuance of long-term debt is an other financing source in the fund statements but an increase in long-term liabilities on the government wide statements. | (199,893) |
|--|-----------|

| | |
|---|-------------------|
| Change in net position of governmental activities | <u>\$ 790,354</u> |
|---|-------------------|

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

| | Food Service Fund | Drivers Education Fund | Total Proprietary Funds |
|---|----------------------|---------------------------|----------------------------|
| ASSETS: | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 14,966 | \$ 154 | \$ 15,120 |
| Inventory of supplies | 841 | - | 841 |
| Inventory of store purchased for resale | 6,408 | - | 6,408 |
| Inventory of donated foods | 6,952 | - | 6,952 |
| Due from federal government | 11,391 | - | 11,391 |
| Total Current Assets | <u>40,558</u> | <u>154</u> | <u>40,712</u> |
| Noncurrent assets: | | | |
| Pension asset | 313 | - | 313 |
| Capital assets | | | |
| Machinery and equipment | 186,475 | - | 186,475 |
| Accumulated depreciation | (86,479) | - | (86,479) |
| Total Noncurrent Assets | <u>100,309</u> | <u>-</u> | <u>100,309</u> |
| TOTAL ASSETS | <u>140,867</u> | <u>154</u> | <u>141,021</u> |
| DEFERRED OUTFLOWS | | | |
| OF RESOURCES: | | | |
| Pension related deferred outflows | <u>15,559</u> | <u>-</u> | <u>15,559</u> |
| LIABILITIES: | | | |
| Current liabilities: | | | |
| Contracts payable | 5,782 | - | 5,782 |
| Benefits payable | 735 | - | 735 |
| Unearned revenue | 11,433 | - | 11,433 |
| Total current liabilities | <u>17,950</u> | <u>-</u> | <u>17,950</u> |
| TOTAL LIABILITIES | <u>17,950</u> | <u>-</u> | <u>17,950</u> |
| DEFERRED INFLOWS | | | |
| OF RESOURCES: | | | |
| Pension related deferred inflows | <u>6,871</u> | <u>-</u> | <u>6,871</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 99,996 | - | 99,996 |
| SDRS pension purposes | 9,001 | - | 9,001 |
| Unrestricted | 22,608 | 154 | 22,762 |
| TOTAL NET POSITION | <u>\$ 131,605</u> | <u>\$ 154</u> | <u>\$ 131,759</u> |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

| | Food Service Fund | Drivers Education Fund | Total Proprietary Funds |
|--|----------------------|---------------------------|----------------------------|
| OPERATING REVENUES | | | |
| Sales | | | |
| To pupils | \$ 62,463 | \$ - | \$ 62,463 |
| To adults | 3,677 | - | 3,677 |
| A la carte | 1,644 | - | 1,644 |
| Other charges for goods and services | 5,123 | 2,200 | 7,323 |
| Total operating revenues | <u>72,907</u> | <u>2,200</u> | <u>75,107</u> |
| OPERATING EXPENSES | | | |
| Salaries | 66,707 | 1,800 | 68,507 |
| Employee benefits | 31,824 | 246 | 32,070 |
| Purchased services | 2,414 | - | 2,414 |
| Supplies | 1,528 | - | 1,528 |
| Cost of sales - purchased food | 50,651 | - | 50,651 |
| Cost of sales - donated food | 16,422 | - | 16,422 |
| Depreciation | 12,246 | - | 12,246 |
| Total operating expenses | <u>181,792</u> | <u>2,046</u> | <u>183,838</u> |
| Operating loss | <u>(108,885)</u> | <u>154</u> | <u>(108,731)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Local sources | | | |
| Interest earnings | 10 | - | 10 |
| State sources | | | |
| State grants | 759 | - | 759 |
| Federal sources | | | |
| Cash reimbursements | 71,725 | - | 71,725 |
| Donated food | 21,010 | - | 21,010 |
| Total nonoperating revenues | <u>93,504</u> | <u>-</u> | <u>93,504</u> |
| Income before contributions, special items | (15,381) | 154 | (15,227) |
| Capital contributions | <u>22,309</u> | <u>-</u> | <u>22,309</u> |
| Change in net position | 6,928 | 154 | 7,082 |
| Total net position - July 1, 2019 | <u>124,677</u> | <u>-</u> | <u>124,677</u> |
| Total net position - June 30, 2020 | <u>\$ 131,605</u> | <u>\$ 154</u> | <u>\$ 131,759</u> |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

| | Food Service Fund | Drivers Education Fund | Total Proprietary Funds |
|---|----------------------|------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Receipts from customers | \$ 84,340 | \$ 2,200 | \$ 86,540 |
| Payments to employees for services | (89,345) | (2,046) | (91,391) |
| Payments to suppliers of goods and services | (57,925) | - | (57,925) |
| Net cash provided/(used) by operating activities | (62,930) | 154 | (62,776) |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | |
| Operating grants | 61,093 | - | 61,093 |
| Net cash provided by noncapital financing activities | 61,093 | - | 61,093 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest earnings | 10 | - | 10 |
| Net cash provided by investing activities | 10 | - | 10 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (1,827) | 154 | (1,673) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 16,793 | - | 16,793 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | <u>\$ 14,966</u> | <u>\$ 154</u> | <u>\$ 15,120</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES | | | |
| Operating loss | \$ (108,885) | \$ 154 | \$ (108,731) |
| ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES | | | |
| Depreciation expense | 12,246 | - | 12,246 |
| Value of donated commodities used | 16,422 | - | 16,422 |
| Change in assets and liabilities | | | |
| Receivables and unearned revenue | 11,433 | - | 11,433 |
| Inventories | (3,332) | - | (3,332) |
| Accounts and other payables | 228 | - | 228 |
| Change in pension asset | 8,958 | - | 8,958 |
| Net cash provided/(used) by operating activities | <u>\$ (62,930)</u> | <u>\$ 154</u> | <u>\$ (62,776)</u> |
| Noncash investing, capital and financing activities: | | | |
| Value of commodities received | \$ 21,010 | \$ - | \$ 21,010 |
| Capital contribution | \$ 22,309 | \$ - | \$ 22,309 |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

| | Private-Purpose Trust Funds | Agency Funds |
|--|--------------------------------|-----------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 6,068 | \$ 62,331 |
| Certificates of deposit | 79,990 | - |
| TOTAL ASSETS | 86,058 | 62,331 |
| LIABILITIES | | |
| Amount held for others | - | 62,331 |
| TOTAL LIABILITIES | - | 62,331 |
| NET POSITION | | |
| Held in trust for scholarships and memorials | \$ 86,058 | \$ - |

IPSWICH SCHOOL DISTRICT NO. 22-6
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2020

| | Private-Purpose Trust Funds |
|------------------------------------|--------------------------------|
| ADDITIONS | |
| Other additions | 1,389 |
| DEDUCTIONS | |
| Other deductions | 1,835 |
| Change in net position | (446) |
| Total net position - July 1, 2019 | 86,504 |
| Total net position - June 30, 2020 | \$ 86,058 |

**IPSWICH SCHOOL DISTRICT NO. 22-6
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2020
(See Independent Auditors' Report)**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the School District conform to generally accepted accounting principles applicable to government entities in the United States of America.

a. Financial Reporting Entity

The reporting entity of the Ipswich School District No. 22-6, consists of the primary government (which includes all of the funds, organizations, institutions, agencies, departments, and offices that make up the legal entity, plus those funds for which the primary government has a fiduciary responsibility, even though those fiduciary funds may represent organizations that do not meet the criteria for inclusion in the financial reporting entity); those organizations for which the primary government is financially accountable; those organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete.

The School District participates in a cooperative service unit with several other school districts. See detailed note entitled "Joint Ventures" for specific disclosures. Joint ventures do not meet the criteria for inclusion in the financial reporting entity as a component unit, but are discussed in these notes because of the nature of their relationship with the School District.

b. Basis of Presentation

Government-wide Financial Statements

The Statement of Net Position and Statement of Activities display information about the reporting entity as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position reports all financial and capital resources, in a net position form (assets minus liabilities, equal net position). Net Position is displayed in three components, as applicable, net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.

NOTES TO FINANCIAL STATEMENTS - Page 2
(See Independent Auditors' Report)

The Statement of Activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the School District and for each function of the School District's governmental activities. Direct expenses and those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) charges paid by recipients of goods and services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the School District or it meets the following criteria:

1. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least ten percent of the corresponding total for all funds of that category or type, and;
2. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least five percent of the corresponding total for all governmental and enterprise funds combined, or;
3. Management has elected to classify one or more governmental or enterprise funds as major for consistency in reporting from year to year, or because of public interest in the fund's operations.

The funds of the School District financial reporting entity are described below within their respective fund types:

Governmental Funds

General Fund - A fund established by South Dakota Codified Laws (SDCL) 13-16-3 to meet all the general operational costs of the School District, excluding Capital Outlay Fund and Special Education Fund expenditures. The General Fund is always a major fund.

Special Revenue Funds - special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Special Education Fund - A fund established by SDCL 13-37-16 to pay the costs for the special education of all children in need of special assistance and prolonged assistance who reside within the School District. This fund is financed by grants and property taxes. This is a major fund.

NOTES TO FINANCIAL STATEMENTS - Page 3
(See Independent Auditors' Report)

Capital Outlay Fund - A fund established by SDCL 13-16-6 to meet expenditures which result in the lease of, acquisition of or additions to real property, plant or equipment, textbooks and instructional software. This fund is financed by property taxes. This is a major fund.

Proprietary Funds

Enterprise Funds - Enterprise funds may be used to report any activity for which a fee is charged to external users for goods or services. Activities are required to be reported as enterprise funds if any one of the following criteria is met.

1. The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity. Debt that is secured by a pledge of net revenues from fees and charges and the full faith and credit of a related primary government or component unit - even if that government is not expected to make any payments - is not solely from fees and charges of the activity. (Some debt may be secured, in part, by a portion of its own proceeds but should be considered as payable "solely" from the revenues of the activity.)
2. Laws or regulations require that the activity's costs of providing services, including capital costs (such as depreciation or debt services), be recovered with fees and charges, rather than with taxes or similar revenues.
3. The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service).

Food Service Fund - A fund used to record financial transactions related to food service operations. This fund is financed by user charges and grants. This is a major fund.

The Drivers Education Fund is an enterprise fund maintained by the School District. This is not a major fund.

Fiduciary Funds

Fiduciary funds consist of the following sub-categories and are never considered to be a major funds:

Private-Purpose Trust Funds - Private-purpose trust funds are used to account for all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The School District maintains only the following private-purpose trust funds: Gwen Torgler Scholarship, Pearl Callin Award, Barbara Scheele Scholarship, Lenora Hamak Scholarship, and Judge Hembd Award Scholarship.

NOTES TO FINANCIAL STATEMENTS - Page 4
(See Independent Auditors' Report)

Agency Funds - Agency funds are used to account for resources held by the School District in a purely custodial capacity (assets equal liabilities). Since agency funds are custodial in nature they do not involve the measurement of results of operations. The School District maintains agency funds to hold assets as an agent in a trustee capacity for various classes and clubs.

c. Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements, regardless of the measurement focus.

Measurement Focus

Government-wide Financial Statements

In the Government-wide Statement of Net Position and Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus, applied on the accrual basis of accounting.

Fund Financial Statements

In the fund financial statements, the "current financial resources" measurement focus and the modified accrual basis of accounting are applied to governmental type funds, while the "economic resources" measurement focus and the accrual basis of accounting are applied to the proprietary and similar fiduciary funds.

Basis of Accounting

Government-wide Financial Statements

In the Government-wide Statement of Net Position and Statement of Activities, governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues and related assets generally are recorded when earned (usually when the right to receive cash vests); and, expenses and related liabilities are recorded when an obligation is incurred (usually when the obligation to pay cash in the future vests).

NOTES TO FINANCIAL STATEMENTS - Page 5
(See Independent Auditors' Report)

Fund Financial Statements

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues, including property taxes, generally are recognized when they become measurable and available. "Available" means resources are collected or to be collected soon enough after the end of the fiscal year that they can be used to pay the bills of the current period. The accrual period does not exceed one bill-paying cycle, and for the Ipswich School District No. 22-6, the length of that cycle is 60 days. The revenues which are accrued at June 30, 2020 are expected federal reimbursements, state reimbursements, and utility taxes.

Under the modified accrual basis of accounting, receivables may be measurable but not available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Reported deferred revenues are those where asset recognition criteria have been met but for which revenue recognition criteria have not been met.

Expenditures generally are recognized when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recognized when due.

All Proprietary Funds and Fiduciary Fund types are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

d. Interfund Eliminations and Reclassifications

Government Wide Financial Statements

In the process of aggregating data for the government-wide financial statements, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated or reclassified as follows:

1. In order to minimize the grossing-up effect on assets and liabilities within the governmental and business-type activities columns of the primary government, amounts reported as interfund receivables and payables have been eliminated in the governmental and business-type activities columns, except for the net, residual amounts due between governmental and business-type activities, which are presented as Internal Balances.
2. In order to minimize the doubling-up effect on internal service fund activity, certain "centralized expenses" including an administrative overhead component, are charged as direct expenses to funds or programs in order to show all expenses that are associated with a service, program, department, or fund. When expenses are charged, in this manner, expense reductions occur in the General Fund so that expenses are reported only in the function to which they relate.

NOTES TO FINANCIAL STATEMENTS - Page 6
(See Independent Auditors' Report)

e. Deposits and Investments

For the purpose of financial reporting, "cash and cash equivalents" includes all demand and savings accounts and certificates of deposit or short-term investments with a term to maturity at date of acquisition of three months or less. Investments in open-end mutual fund shares, or similar investments in external investment pools, are also considered to be cash equivalents.

Investments classified in the financial statements consist entirely (primarily) of certificates of deposit whose term to maturity at date of acquisition exceeds three months, and/or those types of investment authorized by South Dakota Codified Law (SDCL) 4-5-6.

f. Capital Assets

Capital assets include land, buildings, machinery and equipment, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

The accounting treatment over capital assets depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Reported cost values include ancillary charges necessary to place the asset into its intended location and condition for use. Subsequent to initial capitalization, improvements, or betterments that are significant and which extend the useful life of a capital asset are also capitalized.

For governmental activities Capital Assets, construction-period interest is not capitalized, in accordance with US GAAP, while for capital assets used in business-type activities/proprietary fund's operations, construction period interest is capitalized in accordance with US GAAP.

The total June 30, 2020 balance of capital assets for governmental activities and business-type activities are all valued at original cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the government-wide Statement of Activities, with net capital assets reflected in the Statement of Net Position. Capitalization thresholds (the dollar values above which assets acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements and proprietary funds are as follows:

NOTES TO FINANCIAL STATEMENTS - Page 7
(See Independent Auditors' Report)

| | Capitalization Threshold | Depreciation Method | Estimated Useful Life |
|------------------------------------|-------------------------------------|--------------------------------|----------------------------------|
| Land | Any Amount | N/A | N/A |
| Improvements, other than buildings | \$ 25,000 | Straight-line | 14-20 years |
| Buildings | 50,000 | Straight-line | 50 years |
| Machinery and equipment | 5,000 | Straight-line | 4-40 years |

Land is an inexhaustible capital asset and is not depreciated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital expenditures of the appropriate governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for on the accrual basis, the same as in the government-wide statements.

g. Long-Term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the governmental-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt primarily consist of capital outlay certificates, early retirement payable, health insurance assessment from Associated School Boards of South Dakota, State of South Dakota energy loan, and compensated absences.

In the fund financial statements, debt proceeds are reported as revenues (other financing sources), while payments of principal and interest are reported as expenditures when they become due. The accounting for proprietary fund long-term debt is on the accrual basis, the same in the fund statements as in the government-wide statements.

h. Program Revenues

In the government-wide Statement of Activities, reported program revenues derive directly from the program itself or from parties other than the School District's taxpayers or citizenry, as a whole. Program revenues are classified into three categories, as follows:

- 1: Charges for services - These arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services or privileges provided, or are otherwise directly affected by the services.
- 2: Program-specific operating grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program.

NOTES TO FINANCIAL STATEMENTS - Page 8
(See Independent Auditors' Report)

3: Program-specific capital grants and contributions - These arise from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for the acquisition of capital assets for use in a particular program.

i. Proprietary Funds Revenue and Expense Classifications

In the proprietary fund's Statement of Activities, revenues and expenses are classified in a manner consistent with how they are classified in the Statement of Cash Flows. That is, transactions for which related cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities are not reported as components of operating revenues or expenses.

j. Cash and Cash Equivalents

The School District pools its cash resources for depositing and investing purposes. Accordingly, the enterprise funds have access to their cash resources on demand. Accordingly, all reported enterprise fund deposit and investment balances are considered to be cash equivalents for the purpose of the Statement of Cash Flows.

k. Equity Classifications

Government-wide Financial Statements

Equity is classified as Net Position and is displayed in three components:

- 1: Net Investment in Capital Assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation (if applicable) and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- 2: Restricted Net Position - Consists of net position with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- 3: Unrestricted Net Position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Governmental fund equity is classified as fund balance, and is distinguished between Nonspendable, Restricted, Committed, Assigned or Unassigned components. Proprietary fund equity is classified the same as in the government-wide financial statements. Fiduciary fund equity (except for Agency Funds, which have no fund equity) is reported as net position held in trust for other purposes.

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l. Application of Net Position

It is the School District's policy to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

m. Fund Balance Classification Policies and Procedures

In accordance with Government Accounting Standards Board (GASB) No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the School District classifies governmental fund balances as follows:

Nonspendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted - includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed - includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.

Assigned - includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the School Board.

Unassigned - includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The School District uses restricted/committed amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

n. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension revenue, information about the fiduciary net position of the South Dakota Retirement System (SDRS) and additions/deletions from SDRS's fiduciary net position have been determined on the same basis as they are reported by SDRS. School District contributions and net pension asset are recognized on an accrual basis of accounting.

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NOTE 2 - DEPOSITS AND INVESTMENTS CREDIT RISK, CONCENTRATIONS OF CREDIT RISK AND INTEREST RATE RISK

The School District follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Various restrictions on deposits and investments are imposed by statutes. These restrictions are summarized below:

Deposits - The District's deposits are made in qualified public depositories as defined by SDCL 4-6A-1, 13-16-15, 13-16-15.1 and 13-16-18.1. Qualified depositories are required by SDCL 4-6A-3 to maintain at all times, segregated from their other assets, eligible collateral having a value equal to at least 100 percent of the public deposit accounts which exceed deposit insurance such as the FDIC and NCUA. In lieu of pledging eligible securities, a qualified public depository may furnish irrevocable standby letters of credit issued by federal home loan banks accompanied by written evidence of that bank's public debt rating which may not be less than "AA" or a qualified public depository may furnish a corporate surety bond of a corporation authorized to do business in South Dakota.

Investments - In general, SDCL 4-5-6 permits school funds to be invested in (a) securities of the United States and securities guaranteed by the United States Government either directly or indirectly; or (b) repurchase agreements fully collateralized by securities described in (a) above; or in shares of an open-end, no-load fund administered by an investment company whose investments are in securities described in (a) above and repurchase agreements described in (b) above. Also, SDCL 4-5-9 requires that investments shall be in the physical custody of the political subdivision or may be deposited in a safekeeping account with any bank or trust company designated by the political subdivision as its fiscal agent.

Credit Risk - State law limits eligible investments for the School District as discussed above. The School District has no investment policy that would further limit its investment choices.

Custodial Credit Risk - Deposits - The risk that, in the event of a deposit failure, the School District's deposits may not be returned to it. The School District does not have a policy for custodial credit risk. As of June 30, 2020 the District's deposits in the financial institutions were exposed to custodial credit risk as follows:

| <u>Depository Name</u> | <u>% Under-collateralized</u> | <u>At-Risk Amount</u> |
|------------------------|-------------------------------|-----------------------|
| Ipswich State Bank | 16.42% | \$ 682,584 |

As of June 30, 2020, all of the School District's investments were in certificates of deposit.

Interest Rate Risk - The School District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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Assignment of Investment Income - State law allows income from deposits and investments to be credited to either the General Fund or the fund making the investment. The School District's policy is to credit all income to the General Fund.

NOTE 3 - RECEIVABLES AND PAYABLES

Receivables are not aggregated in these financial statements. The School District expects all receivables to be collected within one year.

NOTE 4 - INVENTORY

Inventory is valued at the lower of cost or market. The cost valuation method is first-in, first-out. Donated commodities are valued at estimated market value based on the USDA price list at date of receipt.

In the government-wide financial statements, and in the enterprise fund financial statements, inventory items are initially recorded as assets and charged to expense in the various functions of government as they are consumed.

In the governmental fund financial statements, inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed. Reported inventories are equally offset by Nonspendable Fund Balance which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets.

NOTE 5 - PROPERTY TAXES

Property taxes are levied on or before each October 1, attach as an enforceable lien on property, and become due and payable as of the following January 1, and are payable in two installments on or before April 30 and October 31 of the following year. The county bills and collects the School District's taxes and remits them to the School District. School District property tax revenues are recognized to the extent that they are used to finance each year's appropriations. Revenue related to current year property taxes receivable which is not intended to be used to finance the current year's appropriations and therefore and not susceptible to accrual has been reported as deferred revenue in both the fund financial statements and the government-wide financial statements. Additionally, in the fund financial statements, revenue from property taxes may be limited by any amount not collected during the current fiscal period or within the "availability period."

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NOTE 6 - CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets for year ended June 30, 2020 is as follows:

| | Balance 07/01/2019 | Increases | Decreases | Balance 06/30/2020 |
|--|-----------------------|--------------|-----------|-----------------------|
| Primary Government | | | | |
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 187,795 | \$ - | \$ - | \$ 187,795 |
| Total capital assets, not being depreciated | 187,795 | - | - | 187,795 |
| Capital assets, being depreciated | | | | |
| Buildings | 13,150,980 | - | - | 13,150,980 |
| Improvements other than buildings | 1,428,831 | 222,940 | - | 1,651,771 |
| Machinery and equipment | 556,878 | 14,783 | - | 571,661 |
| Total capital assets, being depreciated | 15,136,689 | 237,723 | - | 15,374,412 |
| Less accumulated depreciation for | | | | |
| Buildings | 1,715,381 | 244,971 | - | 1,960,352 |
| Improvements other than buildings | 866,668 | 74,487 | - | 941,155 |
| Machinery and equipment | 227,024 | 40,468 | - | 267,492 |
| Total accumulated depreciation | 2,809,073 | 359,926 | - | 3,168,999 |
| Total capital assets, being depreciated, net | 12,327,616 | (122,203) | - | 12,205,413 |
| Governmental activity capital assets, net | \$ 12,515,411 | \$ (122,203) | \$ - | \$ 12,393,208 |

Depreciation expense was charged to functions as follows:

| | 6/30/2020 |
|--|------------|
| Governmental activities | |
| Instructional | \$ 198,820 |
| Support Services | 114,759 |
| Cocurricular | 46,347 |
| Total depreciation expense - governmental activities | \$ 359,926 |

NOTES TO FINANCIAL STATEMENTS - Page 13
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| | Balance 07/01/2019 | Increases | Decreases | Balance 06/30/2020 |
|--|-------------------------------|------------------|------------------|-------------------------------|
| Business-type activities | | | | |
| Capital assets, being depreciated | | | | |
| Machinery and equipment | 167,166 | 22,309 | (3,000) | 186,475 |
| Total capital assets, being depreciated | 167,166 | 22,309 | (3,000) | 186,475 |
| Less accumulated depreciation for | | | | |
| Machinery and equipment | 77,233 | 12,246 | (3,000) | 86,479 |
| Total accumulated depreciation | 77,233 | 12,246 | (3,000) | 86,479 |
| Total business-type activities, capital assets, being depreciated, net | 89,933 | 10,063 | - | 99,996 |
| Business-type activities capital assets, net | \$ 89,933 | \$ 10,063 | \$ - | \$ 99,996 |

Depreciation expense was charged to functions as follows:

| | 6/30/2020 |
|--------------------------|------------------|
| Business-type activities | |
| Food Service | \$ 12,246 |

NOTE 7 - LONG-TERM DEBT

A summary of the changes in long-term debt for the year ended June 30, 2020 is as follows:

| | Beginning Balance 07/01/2019 | Additions | Deletions | Ending Balance 06/30/2020 | Due Within One Year |
|------------------------------------|---|------------------|------------------|--|--------------------------------|
| Primary government | | | | | |
| Governmental activities | | | | | |
| Capital outlay certificates - 2013 | 4,980,000 | - | (310,000) | \$ 4,670,000 | \$ 315,000 |
| Capital outlay certificates - 2015 | 1,930,000 | - | (100,000) | 1,830,000 | 100,000 |
| ASBSD health ins assessment | 91,910 | - | (45,610) | 46,300 | 46,300 |
| State of South Dakota | - | 199,893 | - | 199,893 | 19,989 |
| Compensated absences | 33,587 | 11,196 | (18,947) | 25,836 | - |
| Early retirement payable | 70,580 | 43,837 | (18,612) | 95,805 | 27,380 |
| Total governmental activities | 7,106,077 | 254,926 | (493,169) | 6,867,834 | 508,669 |

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Long-term debt payable at June 30, 2020, is comprised of the following:

| | |
|--|---------------------|
| Capital Outlay Certificates Series 2013, .5% to 2.75% maturing February 1, 2033 paid from Capital Outlay Fund. | \$ 4,670,000 |
| Capital Outlay Certificates Series 2015, .35% to 3.125% maturing February 1, 2035 paid from Capital Outlay Fund. | \$ 1,830,000 |
| Associated School Boards of South Dakota health insurance assessment, maturing October 1, 2020, annual payments of \$46,990, made from the General Fund. | \$ 46,300 |
| Early Retirement Benefits Payable, payments based on 75% of last contract paid over 4 years, paid from the General Fund. Details in Note 12. | \$ 95,805 |
| Loan payable to the South Dakota State Energy Office, 0% maturing July 2029 paid from Capital Outlay Fund. | \$ 199,893 |
| Compensated Absences, payments to be made by the fund that the payroll expenditures are charged within. | \$ 25,836 |
| Total long-term debt | <u>\$ 6,867,834</u> |

The annual debt service requirements to maturity, except for compensated absences, for all debt outstanding as of June 30, 2020 are as follows:

| Year Ending June 30, 2020 | Early Retirement | Capital Outlay Certificates | | ASBSD Health Assess | SD State Energy Office |
|------------------------------|---------------------|--------------------------------|------------------|---------------------------|------------------------------|
| | | Principal | Interest | Principal | Principal |
| 2021 | 27,380 | 415,000 | 161,345 | 46,300 | 19,989 |
| 2022 | 19,886 | 420,000 | 154,963 | - | 19,989 |
| 2023 | 19,886 | 430,000 | 147,303 | - | 19,989 |
| 2024 | 19,886 | 440,000 | 138,808 | - | 19,989 |
| 2025 | 8,767 | 450,000 | 127,573 | - | 19,989 |
| 2026-2030 | - | 2,440,000 | 458,450 | - | 99,948 |
| 2031-2036 | - | 1,905,000 | 133,165 | - | - |
| | <u>95,805</u> | <u>6,500,000</u> | <u>1,321,607</u> | <u>46,300</u> | <u>199,893</u> |

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NOTE 8 - OPERATING LEASES

The School District leases a classroom from the Plainview Colony with payments being made from Capital Outlay Fund. The following are the minimum payments required for existing leases:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
| 2021 | \$ 6,000 |
| 2022 | \$ 6,000 |
| 2023 | \$ 6,000 |
| 2024 | \$ 6,000 |

NOTE 9 - INDIVIDUAL FUND INTERFUND BALANCES AND INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2020 were as follows:

| <u>6/30/2020</u> | <u>Transfers In</u> | <u>Transfers Out</u> | <u>Total</u> |
|---------------------|-------------------------|--------------------------|--------------|
| General Fund | \$ 400,000 | \$ - | \$ 400,000 |
| Capital Outlay Fund | - | (400,000) | (400,000) |
| Total | \$ 400,000 | \$ (400,000) | \$ - |

Transfers from the Capital Outlay Fund to the General Fund were made due to the revenues being insufficient to support the expenditures of the fund. These interfund transfers are not violations of the statutory restrictions on interfund transfers.

NOTE 10 - RESTRICTED NET POSITION

| <u>Fund</u> | <u>Restricted By</u> | <u>6/30/2020</u> |
|-------------------------------|----------------------|---------------------|
| Special Education | Law | \$ 372,563 |
| Capital Outlay | Law | 2,784,686 |
| SDRS Pension Purposes | Law | 364,240 |
| Total Restricted Net Position | | <u>\$ 3,521,489</u> |

These balances are restricted due to statutory requirements.

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NOTE 11 - PENSION PLAN

Plan Information:

All employees, working more than 20 hours per week during the school year, participate in the South Dakota Retirement System (SDRS), a cost sharing, multiple employer defined benefit pension plan administered by SDRS to provide retirement benefits for employees of the State of South Dakota and its political subdivisions. The SDRS provides retirement, disability, and survivor benefits. The right to receive retirement benefits vests after three years of credited service. Authority for establishing, administering and amending plan provisions are found in SDCL 3-12. The SDRS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at <http://sdrs.sd.gov/publications.aspx> or by writing to the SDRS, P.O. Box 1098, Pierre, SD 57501-1098 or by calling (605) 773-3731.

Benefits Provided:

SDRS has three different classes of employees, Class A general members, Class B public safety and judicial members, and Class C Cement Plant Retirement Fund members.

Members that were hired before July 1, 2017, are Foundation members. Class A Foundation members and Class B Foundation members who retire after age 65 with three years of contributory service are entitled to an unreduced annual retirement benefit. An unreduced annual retirement benefit is also available after age 55 for Class A Foundation members where the sum of age and credited service is equal to or greater than 85 or after age 55 for Class B Foundation judicial members where the sum of age and credited service is equal to or greater than 80. Class B Foundation public safety members can retire with an unreduced annual retirement benefit after age 55 with three years of contributory service. An unreduced annual retirement benefit is also available after age 45 for Class B Foundation public safety members where the sum of age and credited service is equal to or greater than 75. All Foundation retirements that do not meet the above criteria may be payable at a reduced level.

Members that were hired on/after July 1, 2017, are Generational members. Class A Generational members and Class B Generational judicial members who retire after age 67 with three years of contributory service are entitled to an unreduced annual retirement benefit. Class B Generational public safety members can retire with an unreduced annual retirement benefit after age 57 with three years of contributory service. At retirement, married Generational members may elect a single-life benefit, a 60 percent joint and survivor benefit, or a 100 percent joint and survivor benefit. All Generational retirement benefits that do not meet the above criteria may be payable at a reduced level. Generational members will also have a variable retirement account (VRA) established, in which they will receive up to 1.5 percent of compensation funded by part of the employer contribution. VRAs will receive investment earnings based on investment returns.

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Legislation enacted in 2017 established the current COLA process. At each valuation date:

Baseline actuarial accrued liabilities will be calculated assuming the COLA is equal to long-term inflation assumption of 2.25%.

If the fair value of assets is greater or equal to the baseline actuarial accrued liabilities, the COLA will be:

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than 3.5%

If the fair value of assets is less than the baseline actuarial accrued liabilities, the COLA will be:

The increase in the 3rd quarter CPI-W, no less than 0.5% and no greater than a restricted maximum such that, that if the restricted maximum is assumed for future COLAs, the fair value of assets will be greater or equal to the accrued liabilities.

All benefits except those depending on the Member's Accumulated Contributions are annually increased by the Cost-of-Living-Adjustment.

Contributions:

Per SDCL 3-12, contribution requirements of the active employees and the participating employers are established and may be amended by the SDRS board. Covered employees are required by state statute to contribute the following percentages of their salary to the plan; Class A Members, 6% of salary; Class B Judiciary Members, 9.0% of salary; and Class B Public Safety Members, 8.0% of salary. State statute also requires the employer to contribute an amount equal to the employee's contribution. State statute also requires the employer to make an additional contribution in the amount of 6.2% for any compensation exceeding the maximum taxable amount for social security for general employees only. The School District's share of contributions to the SDRS for the years ended June 30, 2020, 2019, and 2018 were \$150,811, \$149,240, and \$141,820, respectively, equal to the required contributions each year.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources to Pensions:

At June 30, 2019, SDRS is 100.09% funded and accordingly has a net pension asset. The proportionate shares of the components of the net pension asset of South Dakota Retirement System, for the School District as of the measurement period ending June 30, 2019 and reported by the School District as of June 30, 2020 are as follows:

| | |
|---|--------------------|
| Proportionate share of pension liability | \$14,578,883 |
| Less proportionate share of net position restricted for pension benefits | <u>14,591,280</u> |
| Proportionate share of net pension asset | <u>\$ (12,397)</u> |

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At June 30 2020, the School District reported an asset of \$12,397 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2019 and the total pension asset used to calculate the net pension asset was based on a projection of the School's share of contributions to the pension plan relative to the contributions of all participating entities. At June 30, 2019, the School District's proportion was 0.11698480%, which is a increase of .0032871% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the School District recognized a pension expense of \$339,471. At June 30, 2020 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 48,629 | \$ 5,611 |
| Changes in assumption | 428,167 | 175,527 |
| Net difference between projected and actual earnings on pension plan investments | - | 71,418 |
| Changes in proportion and difference between District contributions and proportionate share of contributions | - | 23,208 |
| District contributions subsequent to the measurement date | 150,811 | - |
| Total | <u>\$ 627,607</u> | <u>\$ 275,764</u> |

\$150,811 reported as deferred outflow of resources related to pensions resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension (revenue) expense as follows:

| | |
|---------------------|-------------------|
| Year Ended June 30: | |
| 2021 | 259,479 |
| 2022 | (48,198) |
| 2023 | (32,380) |
| 2024 | 22,131 |
| TOTAL | <u>\$ 201,032</u> |

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Actuarial Assumptions:

The total pension asset in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|------------------|---|
| Inflation | 2.25 percent |
| Salary Increases | Graded by years of service, from 6.5% at entry to 3.00% after 25 years of service |
| Discount Rate | 6.5% net of plan investment expense |
| Future COLAs | 1.88% |

Mortality rates were based on 97% of the RP-2014 Mortality Table, projected generationally with Scale MP-2016, white collar rates for females and total dataset rates for males. Mortality rates for disabled members were based on the RP-2014 Disabled Retiree Mortality Table, projected generationally with Scale MP-2016.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period of July 1, 2011 to June 30, 2016.

Investment portfolio management is the statutory responsibility of the South Dakota Investment Council (SDIC), which may utilize the services of external money managers for management of a portion of the portfolio. SDIC is governed by the Prudent Man Rule (i.e., the council should use the same degree of care as a prudent man). Current SDIC investment policies dictate limits on the percentage of assets invested in various types of vehicles (equities, fixed income securities, real estate, cash, private equity, etc.). The long-term expected rate of return on pension plan investments was determined using a method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table using geometric means:

| Asset Class | Target Allocation | Long-Term Expected Rate of Return |
|---------------|-------------------|-----------------------------------|
| Global Equity | 58.0% | 4.7% |
| Fixed Income | 30.0% | 1.7% |
| Real Estate | 10.0% | 4.3% |
| Cash | 2.0% | 0.9% |
| Total | 100.0% | |

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Discount Rate:

The discount rate used to measure the total pension liability (asset) was 6.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that matching employer contributions from will be made at rates equal to the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Sensitivity of asset to changes in the discount rate:

The following presents the School District's proportionate share of net pension liability (asset) calculated using the discount rate of 6.5%, as well as what the School District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower (5.50%) or 1-percentage point higher (7.50%) than the current rate:

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|----------------|
| School District's Proportionate share of the net pension liability (asset) | \$ 2,057,690 | \$ (12,397) | \$ (1,699,144) |

Pension Plan Fiduciary Net Position:

Detailed information about the plan's fiduciary net position is available in the separately issued SDRS financial report.

NOTE 12 - SPECIAL TERMINATION BENEFITS

The School District has an early retirement policy in which the employees will receive a one-time benefit of 75% of their last contracted salary including co-curricular salary payments, payable in five installments over a five year period of time. The employee must meet the following criteria: the employee has served the School District for at least twenty years and is between the ages of 55 and 62 by June 30 of their retirement year, and the Superintendent must receive a written request prior to January 1st of the year in which the retirement is to occur. Currently, three employees are receiving benefits, of which the last payment will be made during fiscal year 2025.

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NOTE 13 - JOINT VENTURES

The School District participates in the joint venture known as Northern High Technology Module Consortium formed for the purpose of providing technological equipment to the member School Districts.

The members of the co-op and their relative percentage participation in the co-op are as follows:

| | |
|--|-------|
| Edmunds Central School District No. 22-5 | 14.3% |
| Eureka School District No.44-1 | 14.3% |
| Groton School District No. 6-3 | 14.3% |
| Leola School District No. 44-2 | 14.3% |
| Warner School District No.6-5 | 14.3% |
| Selby Area School District No. 62-5 | 14.3% |
| Ipswich School District No. 22-3 | 14.2% |

The Northern High Technology Module Consortium governing board is composed of the superintendents from each member School District. The Board is responsible for adopting the joint ventures budget and setting service fees at a level adequate to fund the adopted budget.

Angie Vetter performs the recordkeeping for this consortium.

The School District retains no equity in the net position of the joint venture, but does have a responsibility to fund deficits of the joint venture in proportion to the relative participation described above.

Separate financial statements for this joint venture are available from Angie Vetter.

At June 30, 2020, this joint venture had total assets of \$16,760 and net position of \$16,760 and no reported long-term debt outstanding.

NOTE 14 - RISK MANAGEMENT

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the School District managed its risks as follows:

Employee Health Insurance

The School District joined the South Dakota School District Health Benefits Fund. This is a public entity risk pool currently operating as a common risk management and insurance program for South Dakota local government entities. The School District pays a monthly premium to the pool to provide health insurance coverage for its employees. The pool purchases reinsurance coverage with the premiums it receives from the members. The plans available are as follows:

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The coverage provides a deductible of \$2,500 per person up to \$5,000 per family which includes a \$8 Generic Prescription Drug card, \$35 Brand Name Prescription Drug card, \$55 Formulary Drug card, and \$85 Specialty Drug card. The plan also provides for the cosinsurance of 20% up to \$5,000 for single and \$10,000 for family. The coverage also includes a \$2,000,000 lifetime maximum payment per person. It also allows for employees to choose a lower deductible by paying the difference in premiums.

The School District does not carry additional health insurance coverage to pay claims in excess of this upper limit. Settled claims resulting from these risks have never exceeded the liability coverage.

Liability Insurance

The School District purchases liability insurance for risks related to torts; theft or damage to property; and errors and omission of public officials from a commercial insurance carrier. Settled claims resulting from these risks have not exceeded the liability coverage during the past three years.

Workmen's Compensation

The School District participates, with several other educational units and related organizations in South Dakota, in the Associated School Boards of South Dakota Workers' Compensation Fund Pool which provided workers' compensation insurance coverage for participating members of the pool. The School District is responsible for payment of a premium to the insurance pool along with other pool participants. The School District may also be responsible for additional assessments in the event the pool is determined by its board of trustees to have inadequate reserves to satisfy current obligations or judgments. Additional assessments, if any, are to be determined on a prorated basis based upon each participant's percentage of contribution in relation to the total contributions to the pool of all participants for the year in which the shortfall occurs. The pool provides loss coverage to all participants through pool retained risk retention and through insurance coverage purchased by the pool in excess of the retained risk.

For the year ended June 30, 2020, the pool's retained risk was \$300,000 per occurrence with additional insurance purchased from a private insurance company for an additional \$700,000 for total coverage of \$1,000,000 per occurrence. There was no additional assessment charged to pool members for the year ended June 30, 2020.

Unemployment Benefits

The School District has elected to be self-insured and retain all risk for liabilities resulting from claims for unemployment benefits.

The School District has Assigned Fund Balance in the general fund of \$8,000 for the payment of future unemployment benefits.

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(See Independent Auditors' Report)

NOTE 15 - LITIGATION

At June 30, 2020, the School District was not involved in any litigation.

NOTE 16 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the independent auditor's report, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget | |
|---------------|--|--------------|-------------------------------------|-------------------------------|-------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 1000 | Revenue from Local Sources: | | | | |
| 1100 | Taxes: | | | | |
| 1110 | Ad Valorem Taxes | \$ 1,900,000 | \$ 1,900,000 | \$ 1,872,185 | \$ (27,815) |
| 1120 | Prior Years' Ad Valorem Taxes | 11,000 | 11,000 | 11,383 | 383 |
| 1140 | Utility Taxes | 405,000 | 405,000 | 443,900 | 38,900 |
| 1190 | Penalties and Interest on Taxes | 5,500 | 5,500 | 4,846 | (654) |
| 1510 | Interest | 15,000 | 15,000 | 30,055 | 15,055 |
| 1700 | Cocurricular Activities: | | | | |
| 1710 | Admissions | 22,000 | 22,000 | 22,801 | 801 |
| 1790 | Other | 2,000 | 2,000 | 615 | (1,385) |
| 1900 | Other Revenue from Local Sources: | | | | |
| 1910 | Rentals | 2,500 | 2,500 | 4,125 | 1,625 |
| 1970 | Charges for Services | 2,500 | 2,500 | 2,753 | 253 |
| 1990 | Other | 7,742 | 7,742 | 7,981 | 239 |
| 2000 | Revenue from Intermediate Sources: | | | | |
| 2100 | County Sources: | | | | |
| 2110 | County Apportionment | 32,000 | 32,000 | 36,203 | 4,203 |
| 2200 | Revenue in Lieu of taxes | 600 | 600 | 518 | (82) |
| 3000 | Revenue from State Sources: | | | | |
| 3110 | Unrestricted Grants-in-Aid | 761,000 | 761,000 | 838,911 | 77,911 |
| 4000 | Revenue from Federal Sources: | | | | |
| 4140 | Restricted Grants in Aid Received Directly from the Federal Government | - | - | 19,303 | 19,303 |
| 4199 | Received Directly from Federal Government Through the State | 83,158 | 83,158 | 129,426 | 46,268 |
| Total Revenue | | \$ 3,250,000 | \$ 3,250,000 | \$ 3,425,005 | \$ 175,005 |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget | |
|---------------|---|--------------|-------------------------------------|-------------------------------|------------|
| | Original | Final | | | |
| EXPENDITURES: | | | | | |
| 1000 | Instruction: | | | | |
| 1100 | Regular Programs: | | | | |
| 1111 | Elementary | \$ 1,268,134 | \$ 1,273,134 | \$ 1,271,941 | \$ 1,193 |
| 1120 | Middle/Junior High | 317,540 | 317,540 | 313,060 | 4,480 |
| 1130 | High School | 445,220 | 445,220 | 428,998 | 16,222 |
| 1140 | Preschool | 62,380 | 62,380 | 56,656 | 5,724 |
| 1200 | Special Programs: | | | | |
| 1270 | Educationally Deprived | 64,914 | 64,914 | 60,558 | 4,356 |
| 2000 | Support Services: | | | | |
| 2100 | Pupils: | | | | |
| 2120 | Guidance | 73,657 | 73,657 | 69,711 | 3,946 |
| 2130 | Health Services | 2,550 | 2,550 | 2,415 | 135 |
| 2200 | Support Services-Instructional Staff: | | | | |
| 2220 | Educational Media | 60,852 | 60,852 | 57,483 | 3,369 |
| 2300 | Support Services-General Administration: | | | | |
| 2310 | Board of Education | 30,335 | 30,335 | 27,166 | 3,169 |
| 2321 | Executive Administration | 91,170 | 91,170 | 91,102 | 68 |
| 2400 | Support Services - School Administration: | | | | |
| 2410 | Office of the Principal | 275,817 | 281,317 | 281,308 | 9 |
| 2490 | Other | 300 | 300 | 215 | 85 |
| 2500 | Support Services-Business | | | | |
| 2520 | Fiscal Services | 38,275 | 41,275 | 41,152 | 123 |
| 2540 | Operation & Maintenance of Plant | 446,580 | 447,780 | 424,352 | 23,428 |
| 2550 | Pupil Transportation | 207,200 | 207,200 | 183,649 | 23,551 |
| 5000 | Nonprogrammed Charges | | | | |
| | Early Retirement Payments | 18,615 | 18,615 | 18,600 | 15 |
| 6000 | Cocurricular Activities | | | | |
| 6100 | Male Activities | 48,279 | 48,279 | 41,847 | 6,432 |
| 6200 | Female Activities | 32,051 | 34,551 | 34,271 | 280 |
| 6500 | Transportation | 40,150 | 40,150 | 32,596 | 7,554 |
| 6900 | Combined Activities | 95,981 | 95,981 | 72,626 | 23,355 |
| 7000 | Contingencies | 80,000 | 62,800 | - | 62,800 |
| | Total Expenditures | 3,700,000 | 3,700,000 | 3,509,706 | 190,294 |
| | Excess Revenue Over/Under Expenditures | \$ (450,000) | \$ (450,000) | \$ (84,701) | \$ 365,299 |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget |
|-------------------------------|------------------|------------|-------------------------------------|-------------------------------|
| | Original | Final | | |
| Other Financing Sources | | | | |
| 5110 Transfer In | - | - | 400,000 | 400,000 |
| Total Other Financing Sources | - | - | 400,000 | 400,000 |
| Net Change in Fund Balances | (450,000) | (450,000) | 315,299 | 765,299 |
| Fund Balance - Beginning | 1,050,459 | 1,050,459 | 1,050,459 | - |
| Fund Balance - Ending | \$ 600,459 | \$ 600,459 | \$ 1,365,758 | \$ 765,299 |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary | Variance with Final Budget | |
|---------------|------------------------------------|--------------|------------------------------|-------------------------------|-------------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 1000 | Revenue from Local Sources: | | | | |
| 1100 | Taxes: | | | | |
| 1110 | Ad Valorem Taxes | \$ 1,951,380 | \$ 1,951,380 | \$ 1,929,729 | \$ (21,651) |
| 1120 | Prior Years' Ad Valorem Taxes | 6,000 | 6,000 | 13,479 | 7,479 |
| 1190 | Penalties and Interest on Taxes | 4,000 | 4,000 | 5,765 | 1,765 |
| | | | | | |
| 1900 | Other Revenue from Local Sources: | | | | |
| 1990 | Other | - | - | 5,000 | 5,000 |
| | | | | | |
| 2000 | Revenue from Intermediate Sources: | | | | |
| 2100 | County Sources: | | | | |
| 2200 | Revenue in Lieu of taxes | 600 | 600 | 946 | 346 |
| | | | | | |
| Total Revenue | | \$ 1,961,980 | \$ 1,961,980 | \$ 1,954,919 | \$ (7,061) |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
CAPITAL OUTLAY FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary | Variance with Final Budget | |
|--|--|--------------|------------------------------|-------------------------------|------------|
| | Original | Final | | | |
| EXPENDITURES: | | | | | |
| 1000 | Instruction: | | | | |
| 1100 | Regular Programs: | | | | |
| 1111 | Elementary | \$ 91,000 | \$ 91,000 | 78,084 | \$ 12,916 |
| 1120 | Middle/Junior High | 80,000 | 80,000 | 19,411 | 60,589 |
| 1130 | High School | 112,000 | 112,000 | 22,508 | 89,492 |
| 2200 | Support Services-Instructional Staff: | | | | |
| 2220 | Educational Media | 5,000 | 5,000 | 4,360 | 640 |
| 2300 | Support Services-General Administration: | | | | |
| 2310 | Board of Education | 15,000 | 15,000 | 6,580 | 8,420 |
| 2500 | Support Services-Business | | | | |
| 2520 | Fiscal Services | 7,000 | 7,000 | 5,350 | 1,650 |
| 2530 | Facilities Acquisition and Construction | 554,880 | 554,880 | 225,374 | 329,506 |
| 2540 | Operation & Maintenance of Plant | 56,000 | 56,000 | 8,018 | 47,982 |
| 2550 | Pupil Transportation | 60,000 | 60,000 | 27,360 | 32,640 |
| 2560 | Food Service | - | - | 22,309 | (22,309) |
| 5000 | Debt Services | 581,100 | 581,100 | 577,880 | 3,220 |
| 6000 | Cocurricular Activities | | | | |
| 6200 | Female Activities | - | - | 6,263 | (6,263) |
| 6900 | Combined Activities | - | - | 8,769 | (8,769) |
| Total Expenditures | | 1,561,980 | 1,561,980 | 1,012,266 | 549,714 |
| Excess Revenue Over/Under Expenditures | | 400,000 | 400,000 | 942,653 | 542,653 |
| Other Financing Sources | | | | | |
| 5120 | General Long-Term Debt Issued | - | - | 199,893 | 199,893 |
| 8110 | Transfers Out | (400,000) | (400,000) | (400,000) | - |
| Total Other Financing Sources | | (400,000) | (400,000) | (200,107) | 199,893 |
| Net Change in Fund Balances | | - | - | 742,546 | 742,546 |
| Fund Balance - Beginning | | 2,034,943 | 2,034,943 | 2,034,943 | - |
| Fund Balance - Ending | | \$ 2,034,943 | \$ 2,034,943 | \$ 2,777,489 | \$ 742,546 |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget | |
|---------------|---|------------|-------------------------------------|-------------------------------|-----------|
| | Original | Final | | | |
| REVENUES: | | | | | |
| 1000 | Revenue from Local Sources: | | | | |
| 1100 | Taxes: | | | | |
| 1110 | Ad Valorem Taxes | \$ 485,000 | \$ 485,000 | \$ 516,397 | \$ 31,397 |
| 1120 | Prior Years' Ad Valorem Taxes | 1,800 | 1,800 | 3,914 | 2,114 |
| 1190 | Penalties and Interest on Taxes | 1,500 | 1,500 | 1,661 | 161 |
| 1900 | Other Revenue from Local Sources: | | | | |
| 1970 | Charges for Services | 10,300 | 10,300 | 7,896 | (2,404) |
| 1990 | Other | 300 | 300 | 585 | 285 |
| 2000 | Revenue from Intermediate Sources: | | | | |
| 2100 | County Sources: | | | | |
| 2200 | Revenue in Lieu of taxes | 200 | 200 | 235 | 35 |
| 4000 | Revenue from Federal Sources: | | | | |
| 4199 | Received Directly from Federal Government Through the State | 100,175 | 100,175 | 100,175 | - |
| Total Revenue | | \$ 599,275 | \$ 599,275 | \$ 630,863 | \$ 31,588 |

IPSWICH SCHOOL DISTRICT NO. 22-6
BUDGETARY COMPARISON SCHEDULE - BUDGETARY BASIS
SPECIAL EDUCATION FUND
FOR THE YEAR ENDED JUNE 30, 2020

| Data | | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget |
|--|--------------------------------|------------------|------------|-------------------------------------|-------------------------------|
| | | Original | Final | | |
| EXPENDITURES: | | | | | |
| 1200 | Special Programs: | | | | |
| 1220 | Programs for Special Education | \$ 486,632 | \$ 486,632 | \$ 483,465 | \$ 3,167 |
| 2000 | Support Services: | | | | |
| 2100 | Pupils: | | | | |
| 2140 | Psychological Services | 35,000 | 35,000 | 27,527 | 7,473 |
| 2150 | Speech | 98,653 | 98,653 | 91,440 | 7,213 |
| 2170 | Student Therapy Services | 50,000 | 50,000 | 35,976 | 14,024 |
| 2700 | Special Education: | | | | |
| 2710 | Administrative Costs | 57,813 | 57,813 | 56,984 | 829 |
| 2730 | Transportation Costs | 2,000 | 2,000 | 81 | 1,919 |
| Total Expenditures | | 730,098 | 730,098 | 695,473 | 34,625 |
| Excess Revenue Over/Under Expenditures | | (130,823) | (130,823) | (64,610) | 66,213 |
| Net Change in Fund Balances | | (130,823) | (130,823) | (64,610) | 66,213 |
| Fund Balance - Beginning | | 435,063 | 435,063 | 435,063 | - |
| Fund Balance - Ending | | \$ 304,240 | \$ 304,240 | \$ 370,453 | \$ 66,213 |

IPSWICH SCHOOL DISTRICT NO. 22-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020

Schedules of Budgetary Comparisons for the General Fund and for each major Special Revenue Fund with a legally required budget.

NOTE 1 - BUDGETS AND BUDGETARY ACCOUNTING

The School District followed these procedures in establishing the budgetary data reflected in the financial statements:

1. At the first regular board meeting in May of each year the School Board prepares a proposed budget for the next fiscal year according to the budgetary standards prescribed by the Auditor General.
2. The proposed budget is considered by the School Board at the first regular meeting held in the month of May of each year.
3. The proposed budget is published for public review no later than July 15 each year.
4. Public hearings are held to solicit taxpayer input prior to the approval of the budget.
5. Before October 1 of each year, the School Board must approve the budget for the ensuing fiscal year for each fund, except trust and agency funds.
6. After adoption by the School Board, the operating budget is legally binding and actual expenditures of each fund cannot exceed the amounts budgeted, except as indicated in number 8.
7. A line item for contingencies may be included in the annual budget. Such a line item may not exceed five percent of the total School District budget and may be transferred by resolution of the School Board to any other budget category, except for capital outlay, that is deemed insufficient during the year. No amount of expenditures may be charged directly to the contingency line item in the budget.
8. If it is determined during the year that sufficient amounts have not been budgeted, state statute allows adoption of supplemental budgets when moneys are available to increase legal spending authority.
9. Unexpended appropriations lapse at year-end unless encumbered by resolution of the School Board.
10. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds. Formal budgetary integration is not employed for debt service funds because effective budgetary control is alternately achieved through general obligation bond indenture provision.
11. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

IPSWICH SCHOOL DISTRICT NO. 22-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - Page 2
FOR THE YEAR ENDED JUNE 30, 2020

NOTE 2 - GAAP/BUDGETARY ACCOUNTING BASIS DIFFERENCES

The financial statements prepared in conformity with USGAAP present capital outlay expenditure information in a separate category of expenditures. Under the budgetary basis of accounting, capital outlay expenditures are reported within the function to which they relate. For example, the purchase of a new school bus would be reported as a capital outlay expenditure on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances, however in the Budgetary RSI Schedule, the purchase of a school bus would be reported as an expenditure of the Support Services - Business/Pupils Transportation function of the government, along with all other current Pupil Transportation related expenditures.

**IPSWICH SCHOOL DISTRICT NO. 22-6
SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY (ASSET)
SOUTH DAKOTA RETIREMENT SYSTEM**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|
| District's proportion of the net pension liability (asset) | 0.1169848% | 0.1136977% | 0.1135942% | 0.1074202% | 0.1009430% | 0.1041344% |
| District's proportionate share of net pension liability (asset) | \$ (12,397) | \$ (2,652) | \$ (10,309) | \$ 362,855 | \$ (428,128) | \$ (750,246) |
| District's covered-employee payroll | \$ 2,487,338 | \$ 2,363,660 | \$ 2,308,000 | \$ 2,042,596 | \$ 1,842,932 | \$ 1,821,025 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | -0.500000% | -0.110000% | -0.446664% | 17.764404% | -23.230808% | -41.199105% |
| Plan fiduciary net position as a percentage of the total pension liability | 100.09% | 100.02% | 100.10% | 96.89% | 104.10% | 107.29% |

*The amounts presented for each fiscal year were determined as of the measurement date of the collective net pension liability (asset) which is 6/30 of previous fiscal year.

**IPSWICH SCHOOL DISTRICT NO. 22-6
SCHEDULE OF THE SCHOOL DISTRICT'S CONTRIBUTIONS
SOUTH DAKOTA RETIREMENT SYSTEM**

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 150,811 | \$ 149,240 | \$ 141,820 | \$ 138,480 | \$ 122,556 | \$ 110,576 |
| Contributions in relation to the contractually required contribution | \$ 150,811 | \$ 149,240 | \$ 141,820 | \$ 138,480 | \$ 122,556 | \$ 110,576 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| District's covered-employee payroll | \$ 2,513,519 | \$ 2,487,338 | \$ 2,363,660 | \$ 2,308,000 | \$ 2,042,596 | \$ 1,842,932 |
| Contributions as a percentage of covered-employee payroll | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% | 6.00% |

IPSWICH SCHOOL DISTRICT NO. 22-6
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2020
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY (ASSET) AND SCHEDULE OF CONTRIBUTIONS

Changes of benefit terms:

No changes were made.

Changes of assumptions:

Legislation enacted in 2017 modified the SDRS COLA. For COLAs first applicable in 2018, the SDRS COLA will equal the percentage increase in the most recent third calendar quarter CPI-W over the prior year, no less than 0.5% and no greater than 3.5%. However, if the FVFR assuming the long-term COLA is equal to the baseline COLA assumption (currently 2.25%) is less than 100%, the maximum COLA payable will be limited to the increase that if assumed on a long-term basis, results in a FVFR equal to or exceeding 100%. That condition existed as of June 30, 2018 and exists again this year as of June 30, 2019. Future COLAs are assumed to equal the current restricted maximum COLA which was 2.03% as of June 30, 2018 and is 1.88% as of June 30, 2019.

The changes in actuarial assumptions decreased the Actuarial Accrued Liability by 1.5% of the Actuarial Accrued Liability based on the 2.03% COLA, reflecting the current and assumed future restricted maximum COLA of 1.88%.

Actuarial assumptions are reviewed in depth periodically, with the next experience analysis anticipated before the June 30, 2022 Actuarial Valuation and any recommended changes anticipated to be first implemented in the June 30, 2022 Actuarial Valuation.